

Business Board Governance Review Preliminary Recommendations & Next Steps

The Business Board Governance review focused on four main areas as detailed within the Business Board Governance Review specification:

- Combined Authority Board oversight & assurance
- Board Membership
- Board Performance
- Effective Decision Making

The purpose of the review was to better align the current governance arrangements with the priorities of the Business Board, ensuring compliance with the National Framework, while considering various options for improved governance arrangements. The review encouraged contributions from Board members, via the induction session which took place in January 2020. Member feedback has been summarised and is included within this review. Where recommendations are proposed, the intention is that changes will be made to the Constitution and the Assurance Framework to adopt those recommendations, should the Business Board approve the recommendations and seek approval from the Combined Authority for adoption.

- **Combined Authority Board Oversight & Assurance**

The Combined Authority is the accountable body for funding allocated to the Business Board and, as such, is responsible to Government for complying with any conditions or requirements attached to any such funding.

The current arrangements require funding decisions be ratified by the Combined Authority as accountable body for the Business Board. Prior to ratification, the Business Board review Growth Funding applications and make recommendations to the Combined Authority regarding whether those projects should be approved or rejected. That decision is based on officer recommendations, following the scoring process which encompasses the independent appraisal process.

Delegated authority has been granted to the Director of Business & Skills, in consultation with the Chair of Business Board, to approve grants to SMEs under the Small Business Capital Grant Programme.

Delegated authority has been granted to the Eastern Agri-Tech Programme Board (a sub board of the Business Board) to make decisions about applications for grant funding on behalf of both the Combined Authority, Business Board and NALP (New Anglia Local Enterprise Partnership).

Findings

The existing process limits the decision-making power of the Business Board. As accountable body, the Combined Authority is not required to assess individual funding decisions but is responsible for overseeing the proper administration of financial affairs within the Business Board when these affairs relate to public funds.

The Combined Authority currently approves Business Board funding recommendations. The Combined Authority is provided with a one-page summary for each project. Assessment of the project is completed prior to Combined Authority decision making including compliance checking against the Combined Authority Assurance Framework, financial checks, legality and Local Industrial Strategy (LIS) considerations.

Member feedback

- The volume of papers for each Business Board meeting is heavy and includes 400-500 pages. Separating Board papers into packs with separate sets of appendices could reduce volume.
- Should Combined Authority Board members be voting members to remove the Combined Authority ratification process?
- Speed at which Officers get decisions processed particularly compared to Charities and other LEPs is commendable.

Preliminary recommendations and next steps

The Assurance Framework adopted by the Business Board and the Combined Authority Board, and approved by Government, sets out the Scheme of Delegation for Business Board Funding. This makes the Business Board's Section 73 Officer responsible for sign off of all funding decisions relating to funding allocated to the Business Board and sub-committee expenditure.

The current arrangements require all Business Board funded project approvals to be approved by Combined Authority Board as accountable body.

The National Local Growth Assurance Framework requires the Assurance Framework to outline the responsibilities of the Accountable Body, including providing detail of how they are ensuring proper financial oversight of their projects, programmes and portfolios, including clarity on the role of the Section 73 Officer. In our case that means that the Business Board must provide clarity on the role of the Section 151 Officer (or equivalent) and Accountable Body with regards to governance and financial oversight. This does not require individual LEP / Business Board funding decisions to be subject to Combined Authority approval but does require them to subject to financial oversight.

By way of comparison the Liverpool City Region Combined Authority's Assurance Framework includes the following [underlining added]:

Decisions taken by the LEP are executed by the LCR CA as its Accountable Body but are not subject to LCR CA approval, but they are subject to the normal checks and balances of utilising public funds. The legality and appropriateness of these decision and the use of the funds is subject to Section 73 Officer approval and is within the scope of the LCR CA Overview and Scrutiny Committee.

The issue therefore arises as to whether Business Board funding decisions should not require Combined Authority Board approval but would still be subject to financial oversight and sign off by the section 73 officer. This would be a decision for the CA Board and a further report will be brought to the Business Board when the Combined Authority Board have been consulted. If it was decided that it was appropriate to remove the need for the Combined Authority Board to approve individual Business Board funding decisions, that would be subject to Business Board and Combined Authority Board approval and consent from Government to the required amendments to the Assurance Framework.

• Board Membership

The National Assurance Framework is relatively prescriptive regarding Board composition including:

- at least two-thirds of the Board representatives from the private sector
- a designated Diversity Champion
- adopting the best practice of nominating a designated SME Enterprise Champion

- a maximum of 20 members with the option to co-opt an additional five Board members
- from April 2020 all Boards must achieve a minimum of 33% female representation, with an expectation for equal representation by 2023

The Combined Authority Assurance Framework for the Business Board reflects the above criteria.

The most recent Board Member recruitment exercise was successful. Vacancy advertisements were promoted and a job description for Board members was devised, with qualifying candidates being invited for interview. Due diligence checks were conducted, and candidates attended an induction session prior to their formal appointment to the Board.

The quality of members including their potential and professional specification was dictated by clearly setting out the criteria within the job description. For example, the job description for the most recent recruitment exercise included the following:

Person Specification

You must inspire confidence in the local business community and within Local Government with strong networking experience. We are interested in applications from Entrepreneurs and Small or Medium Sized Enterprises, and particularly keen to recruit industry leaders within the following key sectors:

- Agri – Food, Drink & Horticulture
- Advanced Manufacturing & Materials
- Life Sciences & Healthcare
- Digital, ICT and Creative

Key Skills

- Strategic and Leadership
- Enthusiasm
- Collaborative
- Strong desire to make a positive contribution

Findings

Recruitment

The current recruitment process included a formal appointment panel for interviewing into the roles of Chair, Vice Chair and private sector Board members. For example, the appointment of the Chair requires an appointment panel consisting of the Mayor, Lead Member for Economic Growth, three private sector members and the Director of Business and Skills. The National Assurance Framework does not stipulate who should be on interview panels. A smaller appointment panel would be effective and easier to accommodate.

Resignation

The National Assurance Framework requires appropriate succession planning and arrangements for the resignation of Board Members. Whilst there are current arrangements for resignation of the Chair mid-term, these arrangements should reflect the full remit of the National Framework with regards to how a Chair is appointed. In addition, arrangements for resignation of all Board Members are not stipulated within the constitution and should be.

Conflict of Interests

The National Assurance framework requires the Business Board to have a published Conflict of Interest policy which sets out the process for Board members and officers to declare and report interests. Business Board members are required to complete a register of interests, initially completed during the appointment process and updated annually. This document is published on the Combined Authority's website. Declaration of interests is dealt with as a formal agenda item at the start of each Business Board Meeting with a minute taken. A process for declaring officer conflicts of interest is not yet in place. The last Conflict of Interest policy was reviewed in October 2018. As this policy pre-dates the National Assurance Framework, the policy should be updated.

Remuneration

At its meeting on 31 July 2019 the Combined Authority Board, having regard to a report prepared by the East Cambridgeshire District Council's Independent Remuneration Panel, agreed the allowances and expenses that apply to private sector members of the Business Board with effect from 24 September 2018, and a Members Allowance Scheme was approved and adopted by the Business Board. Improved clarity on expenses should be provided for Board members.

Member feedback

Transparency around safeguarding against conflicts of interest was noted by Board members. Key improvements suggested by members included:

- Implementation of a written notice/declaration register which notifies of conflicts of interests. That document could be circulated before every Board meeting.
- Greater detail and breakdown of information on Business Board agendas to clearly show each item and to better inform Board members of decisions which gave rise to conflicts of interests.
- Clarity between Commercial, Personal, & Relationship, including family conflicts of interests. This could be provided via written guidance to members.
- Post approval conflicts (which may materialise at a future date from original declaration), should also be recorded at the earliest opportunity.
- Regular updating of conflicts of interest forms. This could be implemented by sending conflict forms out every three months.

Business Board meetings and format:

- Guidance on format and how Board meetings operate via a protocol could be adopted which sets out the interaction between the Business Board and the Combined Authority Board.
- Members identified that training for members on dealing with press, the public and social media would be beneficial.
- Pre-meeting briefings should include all Board members and not just the Chair and/or Vice Chair.
- Location of Board meetings should be flexible to include the locations in which projects are based and where members are located

Operational delivery noted by Board members:

- Maintaining a register of preferred methods of contact for each member
- Defining member lead responsibilities/accountability (based on B&S key deliverables)
- Officer mentoring opportunity to promote member development and operational knowledge

- Provision of key contacts list of officers and Stakeholder partners
- Sharing of best practice from other LEPs (at Business Board and Officer level)

Preliminary recommendation and next steps

It is paramount that the Business Board contains representatives from different parts of the business community. The Business Board aligns well with the minimum criteria required. The recruitment campaign assisted with diversifying the industry sectors of Board members and the use of a 'job description' setting out the industry sectors and the skills required assisted the recruitment campaign. The option to specify sectors and locations (within the LEP area) of Business Board representatives remains including the option to specify that representatives include those from entrepreneurial and growing start-ups, voluntary and community sector.

The recruitment processes adopted in August 2019, along with the formal induction day, should be continued. In addition, the composition of the appointment panel should be reduced to a maximum of 4 panel members. Arrangements for resignation of all members including the Chair and Vice Chair should fully reflect the National Assurance Framework. The Conflict of Interest policy should be updated and include a process for declaration of officer conflicts. The implementation of a gifts and hospitality could provide better clarity for Board members and should be implemented. A Remuneration and Expenses policy should be adopted.

The added value of implementing Member feedback detailed above is noted. It is, therefore, recommended that this feedback in its entirety be implemented.

• Board Performance

Board performance is indirectly and broadly measured through improvement outcomes arising from the LIS and the various delivery plans stemming from it, as well as the BEIS annual performance review process. Independent assessment of performance as a strategic and operational decision-making body could be undertaken.

The Government encourages LEPs to share and support best practice. MCAs with a Single Pot and LEPs are required to ensure that there is appropriate input, output and outcome monitoring, as well as evaluation of projects taken forward.

The Local Growth Fund Monitoring & Evaluation Plan

The Local Growth Fund Monitoring & Evaluation Plan has been written to cover the projects invested into from the Local Growth Fund and sits as an appendix to the Combined Authority Monitoring and Evaluation Framework which sets out the framework for monitoring and evaluation for the whole Authority.

Monitoring and evaluation is a critical component of an effective performance management regime. Monitoring supports the effective tracking of a scheme or series of policy interventions ensuring that intended outputs are achieved. Evaluation quantifies and assesses outcomes, including how schemes were delivered and whether the investment generated had the intended impact and ultimately delivered value for money. The plan splits the evaluation phases of work between Greater Cambridge Greater Peterborough Local Enterprise Partnership awarded contracts as the first tranche to be evaluated and the Combined Authority awarded contracts to follow in second tranche to be evaluated in the coming three years. The plan outlines dissemination and publication routes for case studies and lessons learned.

All projects will be evaluated. The basis of the evaluation will build upon input, output and outcome monitoring data and consider if all the strategic objectives of the project including wider economic benefit have been achieved in accordance with the original business case and assumptions used in the appraisal process. Some projects will report on core LGF outputs of jobs, homes and learners; others will have a wider range of outputs and outcomes agreed at the approval stage or through a contract variation

Peer LEP's

The process of pairing with another LEP (West of England) has begun. It is anticipated that best practice will be shared and that improved processes for Board performance or otherwise will be recommended for implementation after the peer process has concluded.

Findings

The mechanism for measuring Board performance against the Local Growth Fund Monitoring & Evaluation Plan was recently adopted. The peer process is also underway. It is, therefore, untimely to analyse board performance until monitoring and evaluation, and peer review processes are complete.

Member feedback

Member feedback addressed the following:

- Capturing project outcomes from historic projects (GCGP) which have since completed is required as Business Board members have no information on the outcome of these projects.
- Project learning opportunities have not historically taken place. Current plans to implement this would facilitate knowledge sharing to help expand the focus and expertise of Business Board members.
- Poor Business Board communications outwards into the local business community and inwardly to Business Board members.
- Quality of outcomes which must be measured over a long timeline, particularly when looking at GVA.

Improvement ideas:

- Once the evaluation of past projects has been complete the Board could convene a Workshop on case studies of good and bad projects so the learning can be expanded and for Board members to understand what a 'good project' looks like. Projects could be those of the Business Board and other LEPs
- Implement project learning opportunities
- Peer to peer review and learning including involvement of Board members
- Performance data, for example measuring the number of projects approved and rejected.
- Board Members having the power to call into review failing projects at very early stages
- Creation of a Business Board communication plan both for external and internal purposes
- Reporting on progress of projects
- Create and use a Business Board performance dashboard that can track key measures and can provide each Business Board member with an aid memoire when having to comment on Business Board performance either publicly or privately

Preliminary recommendations and next steps

Performance is best measured by outcomes which are clearly set through strategic processes. The strategic direction for the Business Board is outlined within the LIS. A process of measuring outcomes against LIS priorities is the blueprint for measuring performance. To accompany internal appraisal of performance, comparative analysis of Board performance against other LEP provides helpful analysis of overall performance. The peer LEP process accommodates the process of understanding what other LEP's do, what their performance indicators/outcomes are and how they measure performance. The monitoring and evaluation plan defines the process for measuring outcomes. Both processes are underway. It is recommended that both processes run their course, with future reviews measuring effectivity.

Board performance includes performance of Board members, both during Board meetings and outside of the Board environment. Whether Board members are visible to the local community and play active roles outside of formal Board meetings and whether Board members vocal in their decision making is yet to be fully determined. For example, are Board members actively challenging the recommendations received from officers or are recommendations accepted at first instance?

Do Board member attend events, networking opportunities or otherwise to promote the work of the Business Board and encourage external interest?

It is recommended that performance outcomes around Board member activity, performance, participation and individual contributions to the success of the Business Board are implemented.

The Department for Business, Energy and Industrial Strategy (BEIS) were approached for direction regarding how best the Board could measure its overall performance. BEIS have committed to providing some guidance, the same will be recommended for implementation, as applicable. It is noted that the English Devolution White Paper, which was confirmed in the Queen's Speech in December 2019 may provide helpful direction that may assist defining Board performance measures.

The member feedback covers much of what is proposed as recommendations for implementation, excluding feedback from members regarding the communication plan and the dashboard, both of which are also recommended for implementation.

- **Effective decision making**

The national framework requires that the Combined Authority's Assurance Framework sets out the decision-making processes. Clear, transparent decision-making processes, on merit is fundamental. Decision making is not limited to decisions related to applications for funding.

Findings

Agendas for Board meetings are currently prepared by officers in consultation with the Chair and Vice Chair but without direct involvement from other Board members. This approach restricts the contribution of other Board members to meetings. Priorities for the Business Board and Forward Plan items are currently prepared by officers. This process does not currently include contributions from the Board regarding what a priority is and what should be included.

Strategic input from Board members is crucial to decision-making. The current processes do not accommodate strategic input and direction from Board members, relevant to horizon planning or decision making. Knowledge and skills unique to each Board member could be better utilised through adopting formal processes. That knowledge base and skill set should feed into decision making.

Board Papers and supporting documents are lengthy and this presents a challenge in respect of the amount of information Board members are required to read and understand prior to a Board meeting.

The flexibility to act 'reactively' to realise external funding and investment opportunities appears limited. A process by which impromptu, financially advantageous decisions regarding funding and investment opportunities would increase the effectiveness of the Board. The urgency procedure would allow for more spontaneous decision making, the remit of which is currently broad, although does not expressively accommodate funding decisions.

Business Board meetings ordinarily take place two days before the Combined Authority Board meetings. The difficulty this presents is that there is limited time for Officers to sufficiently consider and prepare recommendations and papers which need to go to the Combined Authority Board for approval. In addition, where papers are published but decisions within those papers change, following the Business Board meeting, there is insufficient time in between the two meetings for preparing and publishing these updated reports.

A process for updating Business Board members following Combined Authority Board meetings, where recommendations from the Business Board are approved, appears to be informal. This means that Board members often have no formal means of understanding what decision were made by the Combined Authority, until the following Business Board meeting.

Member feedback

Decisions have the following structure:

- (1) Upstream Decision Planning – (not currently adopted within the current arrangements)
- (2) Decision Process – Type of Decisions (hard and soft to create ideas, direction, implementation)
- (3) Post Decision Scrutiny – The Combined Authority Board / Overview & Scrutiny, Audit & Governance

Possible improvements could include:

- More Strategic discussions (rather than operational decisions)
- Board members to find time to discuss issues/opportunities and then develop solutions and ideas in a less formal setting than Business Board Meetings. Alternatively, there should be an informal strategy/decision planning discussion item on Business Board meetings agendas. These discussions would help form the nucleus of an idea/action which could then form the foundation for a Board Paper. This would also help ensure that the experience and creativity of all Business Board members was being harnessed for the benefit of the Combined Authority area. This upstream discussion could be called a "Decision Planning Phase", which is then followed by the current Decision Process. Given that the ideas would have gained traction in a prior and informal setting, Board members would better understand the subsequent Board Paper on the relevant topic. Board members could also sponsor specific papers that are conceived in these informal strategic sessions and help oversee in the creation of this Board Paper (and its implementation).
- Several of these ideas/draft papers can be formed simultaneously ("Runway in Lanes")

Recommendations and Next steps

Board members should be involved in the agenda planning process by way of consultation with officers, prior to Business Board meetings taking place. This would complement the Chair's briefing

session which currently takes place. Members could propose agenda items by email to the Chair and/or Business Board Manager. Those items could then be discussed at the pre-brief, where the agenda is finalised.

To reduce the length of Board Papers, the use of links to supporting documents should be explored.

Priority and Forward Plan guidance from Board members forms part of the strategic direction for the Business Board. That direction should be set in consultation with the Board. Strategic direction should align with priorities as set out in the LIS. The process outlined within member feedback should facilitate more strategic involvement from Board Members. Adopting this process, would aid clarity and content of Board papers, which would be beneficial to members, who would have gained prior background information given their early involvement.

The urgency procedure should be revised to accommodate funding allocation decisions and align with any revisions made to the decision-making powers of the Business Board, taking account of any future proposals to amend the current ratification processes adopted by the Combined Authority Board.

To assist robust decision making at Combined Authority level, it is recommended that Business Board meetings take place two weeks before the Combined Authority Board meeting.

Summary

The Governance Review explored current governance arrangements and considered processes for improved arrangements, taking account of Board member feedback. Preliminary recommendations are proposed and if adopted, next steps include formal implementation including amendments to the constitution and the Combined Authority Assurance framework. It is recommended that governance reviews take place annually to ensure that governance arrangements continually meet the needs of the Business Board. For Board member feedback that will also be implemented, it is recommended that members with skills to assist implementation should be encouraged to further contribution, in consultation with Officers, to the recommendation processes.

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